

PUBLIC EMPLOYEES' RETIREMENT BOARD
100 N Park, Rm 201
Helena MT 59620

Board Legislative Committee Minutes
Tuesday, December 16, 2008
1:30 pm

Committee Members: Ray Peck, Chair
John Paull (via telephone)
Terry Smith (via telephone)

Staff: Roxanne Minnehan, Melanie Symons, Scott Miller, Kim Flatow, Barbara Quinn and Kathy Samson, MPERA staff; Dianna Porter, PERB Member (via telephone).

Other Attendees: Ty Cobb, W.G. Gilbert, Marty Malesich, and Jim McIssac from the City of Dillon

Public Comment –

Mr. Gilbert, attorney for the City of Dillon, addressed the Board about possible legislation assistance for the city's police retirement fund. The City of Dillon's Police Retirement Fund has been severely unfunded for many years. They cannot afford to pay their portion of the unfunded liability to join MPORS. They are asking for help to possibly put forth legislation that would assist them in paying Dillon's liabilities without causing the city any undue stress. They are contemplating the following: 1.) Extend the payment period to 30 years, similar to the maximum amortization period in statute. 2.) Split the system between actives and retirees. Keep the administration of the retirees and have MPERA take over the administration of the actives. (Dillon has eight active and six or seven retirees – three retirees are disabled) 3.) The city has the ability to tax to meet contributions. This would be a cost to Dillon's tax payers. They would like to leave it as open as possible to having their police covered under PERS (cheaper) or MPORS. 4.) Borrowing from the Board of Investments at less than 8% interest. 5.) Issuing a General Obligation Bond.

Mr. Miller responded to number 1 and 2 above. 1.) The 30 years in statute is not applicable for Dillon's request. Interest rate at the actuarial assumed rate is 8% must be charged to keep the fund from subsidizing Dillon's plan. 2.) May not be a problem. We would need to contact our tax counsel to obtain the federal perspective on this proposal.

Mr. Gilbert stated they have employed their own actuary, AON, to obtain a cost for the actives as of June 2009. The city was informed that our actuary would need to determine the cost of the legislative proposal.

Ms. Symons and Mr. Miller have reviewed Mr. Gilbert's bill draft and gave suggestions for changes.

Approval of Legislative Committee Meeting Minutes

The minutes of the open meeting of November 14, 2008 were presented.

Motion: Mr. John Paull moved to approve the minutes of the November 14, 2008 PERB Legislative Committee Meeting.

Second: Mr. Terry Smith

No public comment.

Vote: 3/0

Executive Director's Report

Board Legislation – Status/Sponsors

LC 0258 Qualification Bill

Representative Mike Menehan, an attorney, has agreed to sponsor this bill. This bill has no fiscal impact; therefore, no actuarial study is needed. This bill is technical in nature. It includes changes necessary for the plans to meet IRS qualifications.

HB12 Working Retiree Bill

Representative Franke Wilmer has agreed to sponsor the bill. It has been pre-introduced. MPERA has contacted Mark Johnson, Milliman Consultants and Actuaries, to prepare an actuarial impact statement. MPERA is expecting this bill will be controversial. Staff is seeking the employer contributions to be paid for working retirees. The employer would be responsible for making those contributions just as they would if they had filled the position with a new hire. MPERA expects that the number of working retirees will increase with the retirement of the baby-boomers. Every job that a working retiree takes over an active contributing member results in a negative actuarial impact on the funds.

LC 0260 General Revisions Bill

Representative Chuck Hunter has agreed to sponsor this bill. This bill has no fiscal impact; therefore, no actuarial study is needed. MPERA has several corrections to the changes made from the original version.

Review of Other Bill Drafts

Stakeholder bill drafts are appearing daily. As they appear, staff is reviewing to determine whether an actuarial impact statement and/or amendments for administration and consistency with other systems are necessary.

HB31

This is the bill to include dispatchers in SRS. Rep. Franke Wilmer has agreed to sponsor this bill. Staff had an opportunity to review this draft earlier. This legislation allows current PERS 911 dispatchers three months to elect to join SRS. After July 1, 2009, no 911 dispatchers will be allowed to join PERS. The actuary is currently studying this bill.

HB32

Rep. Franke Wilmer is sponsoring this bill for the firefighters. This bill increases the benefit factor in FURS from 2.5% to 3%. The legislation also proposes increasing member and State contributions by 1% to fund the enhancement. An impact statement was requested from the actuary December 5, 2008. Normal cost increases by 4.7% and the amortization period increases to 5.5 years.

The Committee discussed not being able to support without covering the normal cost rate. Chairman, Ray Peck stated the Committee wouldn't take action at this time; but would take the matter before the full Board.

HB33

This bill redefines compensation in FURS. Rep. Franke Wilmer has agreed to sponsor this bill. This legislation included overtime in the definition of annual compensation. This immediately increases the actuarial unfunded liability because members have not paid contributions on overtime during their working career. There is also a concern with salary spiking. The effective date of this legislation is July 1, 2009; however, we will not have received the data or contributions on overtime before July 1, 2009. At the April 10, 2008 PERB meeting, when the firefighters presented their proposal, a delayed effective date was discussed. Also, discussed was increasing salary average from three to five years to lessen the cost and impact of possible salary spiking. The actuarial impact statement indicates that the amortization period increases by 0.2 years, normal cost increases by 0.01%.

Motion: Mr. Terry Smith moved to support HB33 as a committee.

Second: Mr. John Paull

No public comment.

Vote: 3/0

HB34, HB59, HB 83 and HB 87

These bills impact the Teacher's Retirement System. They do not impact MPERA.

Review List of Un-introduced Bills

An updated listing of introduced and un-introduced retirement bill requests was provided.

LC0109

This legislation allows FURS members who did not elect participation in the Guaranteed Annual Benefit Adjustment (GABA) to reverse the decision. The member must file the election by December 1, 2009. The member's contributions will increase as of January 1, 2010. There are six active firefighters that did not choose GABA. Five of the six have previously requested the Board allow them coverage under GABA. The Board denied these requests according to statute.

LC0261

This legislation is proposed by the Governor's Office. It removes the trigger which terminates the increase in employer contributions in PERS and SRS when the systems' unfunded actuarial liability can be amortized over less than 25 years without the increased contributions.

Other Potential Legislation

See public comments.

Board Legislative Committee Meeting Schedule

A meeting was scheduled on Tuesday, December 30, 2008 at 1:30 pm. Weekly meetings were scheduled each Tuesday at 1:30 pm through the legislative session.

2009 Legislature

Legislature and Committee memberships are included in the packet. This is included to identify legislators that might be interested in supporting retirement legislation.

Meeting adjourned 3:30 pm by Mr. Ray Peck, Chairman.